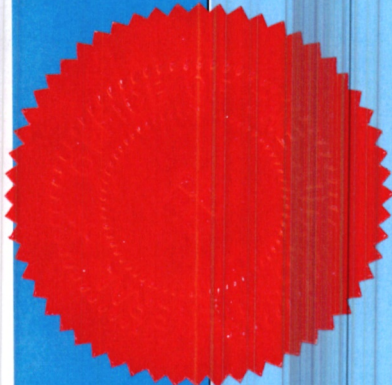


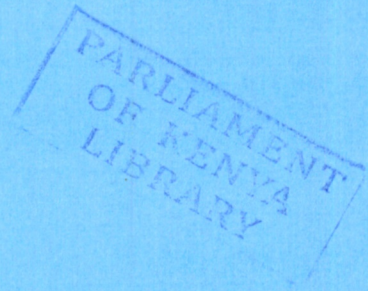
REPUBLIC OF KENYA



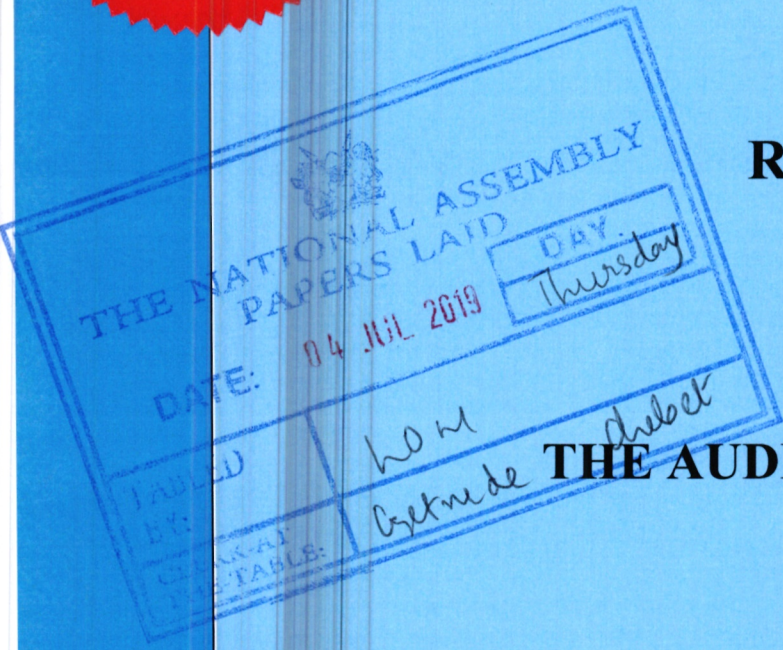
OFFICE OF THE AUDITOR-GENERAL



REPORT



OF



THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF  
LAND SETTLEMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE 2018**

**MINISTRY OF LANDS AND PHYSICAL  
PLANNING**



**MINISTRY OF LANDS AND PHYSICAL PLANNING**

**LAND SETTLEMENT FUND (LSF)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2018**

**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Public Sector Accounting Standards (IPSAS)**

**LAND SETTLEMENT FUND (LSF)**  
**Reports and Financial Statements**  
**For the year ended 30th June 2018**

---

**Table of Contents**

1.	<i>FUND DETAILS</i> .....	III
2.	<i>INTRODUCTION</i> .....	IV
	Mandate.....	iv
	Vision .....	iv
	Mission.....	iv
	Values.....	iv
	Key Strategic Objectives .....	v
	Strategic Programmes.....	v
	Key strategic priorities .....	v
3.	<i>SCHEME MANAGEMENT COMMITTEE</i> .....	VI
	Fiduciary Management .....	vi
4.	<i>MANAGEMENT REPORTS</i> .....	VIII
	THE PRINCIPAL SECRETARY'S REPORT .....	viii
	DIRECTOR OF LAND ADJUDICATION AND SETTLEMENT'S REPORT .....	x
5.	<i>STATEMENT OF THE ADMINISTRATOR OF THE FUND</i> .....	XI
6.	<i>FINANCIAL STATEMENTS</i> .....	1
	STATEMENT OF FINANCIAL PERFORMANCE.....	1
	STATEMENT OF FINANCIAL POSITION .....	2
	STATEMENT OF CHANGES IN NET ASSETS .....	3
	STATEMENT OF CASH FLOW .....	4
7.	<i>NOTES TO THE FINANCIAL STATEMENTS</i> .....	5

**LAND SETTLEMENT FUND (LSF)**  
***Reports and Financial Statements***  
***For the year ended 30th June, 2018***

---

**1. FUND DETAILS**

**PRINCIPAL PLACE OF BUSINESS**

ARDHI HOUSE, 8<sup>TH</sup> Floor, Ngong Road  
P.O. Box 30297-00100  
NAIROBI

**BANKER**

Kenya Commercial Bank Ltd,  
Moi Avenue  
P O Box 30081- 00100  
NAIROBI

**AUDITORS**

Auditor General,  
P O Box 30084 - 00100  
NAIROBI

**PRINCIPAL LEGAL ADVISER**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O Box 40112- 00200  
Nairobi, Kenya

## **LAND SETTLEMENT FUND (LSF)**

### ***Reports and Financial Statements***

***For the year ended 30th June, 2018***

---

## **2. INTRODUCTION**

During the financial year under focus Land Settlement Fund (LSF) operations were undertaken by the Director of Land Adjudication and Settlement and administered by "the officer administering the Fund – the Principal Secretary, Ministry of Lands and Physical Planning. The officer administering the Fund therefore hereby submits the report of the Fund and the financial statements for the year ended 30th June 2018 which show the state of the Fund affairs.

### **Mandate**

The Department is charged with the responsibility of:

- Ascertaining land rights and interests through land Consolidation and Adjudication,
- Settlement of poor landless Kenyans under Land Settlement Fund,
- Management of the Land Settlement Fund,
- Administration of Group Ranches
- Arbitration of Land disputes.

### **Vision**

To have all trust/community land registered and landless Kenyans settled on agricultural viable units of land.

### **Mission**

To encourage socio-economic development, through transformation of customary land tenure to statutory freehold and provision of sustainable settlement.

### **Values**

The department maintains the following values:

1. Customer responsiveness
2. Efficiency and Effectiveness in service delivery
3. Transparency and Accountability
4. Innovativeness and adaptiveness to modern technology
5. Zero tolerance to corruption
6. Professionalism
7. Inclusiveness.

**LAND SETTLEMENT FUND (LSF)**

***Reports and Financial Statements***

***For the year ended 30th June, 2018***

---

**Key Strategic Objectives**

The broad objectives of the department are:

- i. Settle landless poor on viable agricultural land
- ii. Facilitate registration of land and
- iii. To provide security of land tenure,

**Strategic Programmes**

- Land Adjudication programmes
- Acquisition of viable agricultural land for Settlement Schemes.
- Finalization of on - going Settlement Schemes.
- Computerization of SFT billing and Accounting System
- Computerize settler Loan Repayments
- Training of Group Ranch Representatives and members

**Key strategic priorities**

- Facilitation of discharges for issuance of Title deeds.
- Finalize on-going land adjudication sections and settlement schemes.
- Computerization of SFT Billing and Accounting Systems.

**LAND SETTLEMENT FUND (LSF)**

***Reports and Financial Statements***

***For the year ended 30th June, 2018***

---

**3. SCHEME MANAGEMENT COMMITTEE**

The Fund is administered by the Accounting Officer /Principal Secretary of the Ministry for the time being responsible for matters related to ASF.

Management of the Fund is overseen by the Settlement Fund Board Trustees for the reporting period comprising:

- (a) the Cabinet Secretary responsible for land matters who shall be the chairperson;
- (b) the Cabinet Secretary responsible for National Treasury;
- (c) the Cabinet Secretary responsible for Agriculture;
- (d) the Cabinet Secretary responsible for the environment and natural resources;
- (e) the Cabinet Secretary responsible for Internal Security; and
- (f) a representative of the National Land Commission.

The scheme is administered by the administrator through the Director of Land Adjudication and Settlement (DLAS) who carries out the day to day activities of fund. These daily activities of the fund are executed through the DLAS assisted by staff and accountant teams.

**Fiduciary Management**

During the financial year under focus, LSF operations were undertaken by the Fund secretariat and administered by the principal secretary at the time in charge of the Ministry of Lands and Physical Planning. The officer administering the fund therefore hereby submits the report of the fund and the financial statements for the year ending 30th June 2018.

**LAND SETTLEMENT FUND (LSF)****Reports and Financial Statements****For the year ended 30th June, 2018**

---

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1.	Principal Secretary	- Dr. Nicholas Muraguri
2.	Director of LAS	- Esther N. Ogega
3.	Senior Deputy Director LAS	- Paul K. Mwangi

**MANAGEMENT TEAM**

1. Esther N. Ogega M.A, Environmental Planning and Management (UON), B.A (UON)- Hons	Director of Land Adjudication and Settlement
2. Paul K. Mwangi M.A, Environmental Planning and Management (UON), Bsc (UON)- (Hons)	Senior Deputy Director of Land Adjudication and Settlement
3. Ndung'u Kiarie MBA-Strategic Management, Bcom - Accounting and Taxation.	Accountant Land Settlement Fund (LSF)



#### **4. MANAGEMENT REPORTS**

##### **THE PRINCIPAL SECRETARY'S REPORT**

The management of the Fund is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results. The management of the Fund further accepts the responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

The Department's achievements were:

- i. The SFT land and development loans collection for the year amounted to Ksh. **80,236,889** only.
- ii. **2,007** Discharge of Charges and Transfers were prepared

The performance of the department in the year 2017 – 2018 was good. However, there is room for improvement. There is need to implement land adjudication sections and settlement schemes as projects so as to fast track issuance of title deeds

##### **Challenges**

Implementation of Land Adjudication and Settlement programmes was affected by the following:

- Inadequate funding to undertake planned activities ;
- Lack of basic physical infrastructure in Settlement Schemes.
- High cost of settlement land in high agricultural potential areas leading to purchasing land in marginal areas;
- Pending disputes especially objections to the Adjudication registers which hampered finalization of many Adjudication sections;
- Shortage of personnel to carry out core activities;
- Inadequate transport;
- Low collection of SFT land loan due to waivers;
- Professional squatting and speculative acquisition of land;
- Increased landlessness and competition for limited available land; and
- Unresolved court cases.

**LAND SETTLEMENT FUND (LSF)**

***Reports and Financial Statements***

***For the year ended 30th June, 2018***

---

**Concluding remarks**

Nothing has come to the attention of the management of the Fund to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**LAND SETTLEMENT FUND (LSF)**

***Reports and Financial Statements***

***For the year ended 30th June, 2018***

---

**DIRECTOR OF LAND ADJUDICATION AND SETTLEMENT'S REPORT**

Statement of the Director of Land Adjudication and Settlement's Responsibilities on the Financial Statements for the Year Ended 30th June 2018

Section 168 of the Agriculture Act, Cap 318 and the legal notice No. 352/1963 which established the Fund requires the management of the Fund to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of its operating results for that year. It also requires the management to ensure proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The management of the Fund accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the Fund's financial regulations and generally accepted accounting principles.

**5. STATEMENT OF THE ADMINISTRATOR OF THE FUND**

I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of the financial statements, as well as adequate systems of internal control.

I further accept responsibility for the attached annual accounts, which have been prepared in conformity with internationally accepted accounting standards and appropriate government financial regulations and procedure.

I am of the opinion that the attached appropriations and other financial statements present fairly financial state of affairs of the Agricultural Settlement Fund as at 30th June 2018.



.....  
**Accounting Officer/ Receiver of Revenue/Administrator of National Public Fund**

**The Principal Secretary,**

Ministry of Lands and Physical Planning.

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: oag@oagkenya.go.ke  
Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON LAND SETTLEMENT FUND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 - MINISTRY OF LANDS AND PHYSICAL PLANNING

---

#### REPORT ON THE FINANCIAL STATEMENTS

##### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Land Settlement Fund set out on pages 1 to 15, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statements of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

##### **Basis for Disclaimer of Opinion**

###### **1. Inaccuracies in the Financial Statements**

The statement of cashflows reflects a decrease in cash and cash equivalent balance of Kshs.19,638,256 instead of the re-casted increase of Kshs.18,328,777 resulting in unexplained difference of Kshs.37,967,033. Further, the statement reflects a negative balance of Kshs.506,934,253 described as adjustment in working capital whose workings were not provided for audit review.

In the circumstances, the accuracy of these financial statements for the year ended 30 June 2018 could not be confirmed.

###### **2. Unsupported Balances**

The statement of changes in net assets as at 30 June 2018 reflects net transfers to/from accumulated surplus totalling to Kshs.7,979,050,639. However, the management did not provide details on where the balances were transferred to/from, and supporting schedules for the balances transferred were also not availed for audit verification.

In the circumstances, the accuracy and validity of net transfers to/from accumulated surplus of Kshs.7,979,050,639 in the statement of changes in net assets as at 30 June 2018 could not be confirmed.

### 3. Receivables from Non-Exchange Transaction

Note 9 to the financial statements reflect receivables from non-exchange transaction balance of Kshs.1,324,349,149. However, this balance excludes opening balances totalling to Kshs.984,686,550 as summarized below.

Item	Kshs
Land Loans Issued	278,975,885
Rescue Loan Issued	550,019
Land Loans Principal Billed	(610,055,404)
Billed amount settlers	3,494,524,091
Development Loans Principal Billed	(189,149,529)
Rescue Loans Principal Billed	(240,198)
Cane Development Costs - Suspense	(5,139,967)
Other Recoverable expenses	9,820,460
General Debtors	32,353,374
Trade Investment	59,263,387
Advances	10,567,668
Suspense Debit Items	64,507,005
Loan Repayment Collection	(2,161,547,241)
Agency Accounts (debits)	257,000
<b>Total</b>	<b>984,686,550</b>

Further, receivables from non-exchange transactions of Kshs.1,324,349,149 as disclosed at note 9 to the financial statements include imprest balance of Kshs.41,908,095 out of which imprest totalling Kshs.36,228,295 was due but had not been surrendered as at 30 June 2018. Further, included in the balance of Kshs.36,228,295 due but not surrendered is a balance of Kshs.3,041,780 that was carried forward from previous years and had not been surrendered or recovered as at 30 June 2018. This is contrary to Section 93 (5) of the Public Finance Management Regulations, 2015 which states that a holder of a temporary imprest shall account or surrender the imprest within 7 working days after returning to duty station. Section 93 (6) further provides that in the event of the imprest holder failing to account for or surrender the imprest on the due date, the Accounting Officer shall take immediate action to recover the full amount from the salary of the defaulting officer with an interest at the prevailing Central Bank Rate.

In the circumstance, the Fund is in breach of the law and therefore, recoverability of the receivables from non-exchange transactions balance of Kshs.1,324,349,149 as at 30 June 2018 could not be confirmed.

### 4. Property, Plant and Equipment

The property, plant and equipment movement schedule at note 10 to the financial statements reflects transfer/adjustments totalling to Kshs.7,432,839,874 made up of land

and buildings - Kshs.7,394,159,443 and fixed and loose assets - Kshs.38,680,431. However, and as previously reported, schedules and reconciliations supporting the assets transferred/ adjustments amounting to Kshs.7,432,839,874 were not availed for audit review.

In the circumstances, the accuracy of property, plant and equipment balance of Kshs.6,727,780 as at 30 June 2018 could not be confirmed.

## 5. Trade and Other Payables from Exchange Transactions

Note 11 to the financial statements reflect trade and other payables from non-exchange transactions balance of Kshs.4,723,898 as at 30 June 2018. However, the balance excludes unsupported opening balances totalling to Kshs.14,118,126 as detailed below;

Item	Amount (Kshs.)
Refundable Deposits from customers	93,343,385
Provisions	11,676
Agency Accounts (credits)	125,425
Other Creditors	3,150,139
Accrued Interest on Loan	301,500
Reserve for Bad Debts	6,602,797
Suspense Credit Items	(122,806,862)
Fund Drawn from Treasury	5,153,814
<b>Total</b>	<b>(14,118,126)</b>

It's not clear and the management have not explained the circumstances which led to a debit balance in payables an indication that the creditors were over paid.

In the circumstances, the accuracy and validity of the trade and other payables from exchange transactions balance of Kshs.4,723,898 as at 30 June 2018 could not be confirmed.

## 6. Statement of Comparison of Budget and Actual Amounts

International Public Sector Accounting Standards (IPSAS) 24 – Presentation of budget Information in financial statements-requires a comparison of budget and actual amounts arising from execution of the budget to be included in the financial statements of entities which are publicly held accountable for their budget. As previously reported, the Fund financial statements presented for audit review did not include the statement of comparison of budget and actual amounts and therefore did not comply with International Public Sector

Accounting Standards (IPSAS 24). The omission not only failed to comply with the International Public Sector Accounting Standards but also denied the users of the financial statements the information on the extent to which the Fund achieved its budgetary provisions for the year.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7 (1) (a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control. In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund's or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public money is applied in an effective manner.



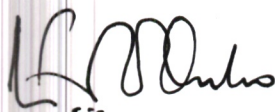
Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion Section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion.

I am independent of Land Settlement Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**12 April 2019**

**LAND SETTLEMENT FUND (LSF)  
STATEMENT OF FINANCIAL  
PERFORMANCE  
For the year ended 30<sup>th</sup> June,2018**


**6. FINANCIAL STATEMENTS**

	Note	2017-2018 Kshs	2016-2017 Kshs
<b>INCOME</b>			
Settlement Revenue	1	31,226,897	1,346,816
Settlement Interest	2	<u>453,120,957</u>	<u>527,984,189</u>
<b>Total revenue</b>		<b>484,347,854</b>	<b>529,331,005</b>
<b>EXPENSES</b>			
Accommodation & subsistence Allowance	3	61,111,355	32,464,151
Repairs and maintenance	4	6,038,274	2,030,138
Pre-Settlement Development Costs	5	9,816,965	13,459,184
General expenses	6	184,166,046	166,331,072
Finance costs	7	548,724	597,396
<b>Total expenses</b>		<b><u>261,681,364</u></b>	<b><u>214,881,941</u></b>
<b>Surplus/Deficit</b>		<b><u>222,666,490</u></b>	<b><u>314,449,064</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the Financial statements. The entity financial statements were approved on 27<sup>th</sup> September 2018 and signed by:

  
.....  
Principal Secretary

Date 3-4-19.....

  
.....  
Director of Land Adjudication  
and Settlement

Date 3-4-19.....

**LAND SETTLEMENT FUND (LSF)**  
**STATEMENT OF FINANCIAL POSITION**  
For the year ended 30<sup>th</sup> June, 2018


	Note	2017-2018 Kshs	2016-2017 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	632,840,316	652,478,572
Receivables from non-exchange transactions	9	<u>1,324,349,149</u>	<u>1,226,926,406</u>
<b>Total Current assets</b>		<b>1,957,189,465</b>	<b>1,879,404,978</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	6,727,780	7,432,839,874
<b>Total Non - current assets</b>		<b>6,727,780</b>	<b>7,432,839,874</b>
<b>Total assets</b>		<b>1,963,917,245</b>	<b>9,312,244,852</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	11	<u>4,723,898</u>	<u>(14,118,127)</u>
<b>Total Current Liabilities</b>		<b>4,723,898</b>	<b>(14,118,127)</b>
<b>Non-current liabilities</b>			
Borrowings	12	7,276,061	8,061,544
<b>Total Non- current liabilities</b>		<b>7,276,061</b>	<b>8,061,544</b>
<b>Total liabilities</b>		<b>(11,999,959)</b>	<b>(6,056,583)</b>
<b>Net assets</b>		<b><u>1,951,917,285</u></b>	<b><u>9,318,301,434</u></b>
<b>Net Assets and Equity</b>			
Revenue Reserves	13	1,561,917,285	(1,363,482,729)
Revolving Fund - seasonal loans		-	(1,733,741)
Land Purchase grant	14	<u>390,000,000</u>	<u>(10,680,050,422)</u>
<b>Total net Assets and equity</b>		<b><u>1,951,917,285</u></b>	<b><u>9,318,301,434</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial Statements. The entity financial statements were approved on 27<sup>th</sup> September 2018 and signed by:



Principal Secretary

Date 3/4/19



Director of Land Adjudication  
and Settlement

Date 3-4-19

**LAND SETTLEMENT FUND (LSF)**  
**STATEMENT OF CHANGES IN NET ASSETS**  
**For the year ended 30<sup>th</sup> June, 2018**

---

<b>Attributable to the owners of the controlling entity</b>				
	<b>Revolving Fund - Seasonal Loans</b>	<b>Land Purchase Grant</b>	<b>Accumulated Surplus</b>	<b>Total</b>
<b>As at 30-Jun-2016</b>	<b>1,733,741</b>	<b>10,312,788,677</b>	<b>(1,677,768,708)</b>	<b>8,636,753,710</b>
Prior Year Adjustment			(163,085)	(163,085)
Revolving Fund - Seasonal Loans	-			-
Grants Received		367,261,745		367,261,745
Transfers to/from accumulated surplus		-		-
Accumulated surplus			314,449,064	314,449,064
<b>As at 30-Jun-2017</b>	<b>1,733,741</b>	<b>10,680,050,422</b>	<b>(1,363,482,729)</b>	<b>9,318,301,434</b>
Revolving Fund - Seasonal Loans	-			-
Grants Received		390,000,000		390,000,000
Transfers to/from accumulated surplus	(1,733,741)	(10,680,050,422)	2,702,733,524	(7,979,050,639)
Accumulated surplus			222,666,490	222,666,490
<b>As at 30-Jun-2018</b>	<b>-</b>	<b>390,000,000</b>	<b>1,561,917,285</b>	<b>1,951,917,285</b>

**LAND SETTLEMENT FUND (LSF)**  
**STATEMENT OF CASH FLOW**  
**For the year ended 30th JUNE, 2018**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Settlement revenue	31,226,897	1,346,816
Settlement interest	<u>453,120,957</u>	<u>527,984,189</u>
<b>Total Receipts</b>	<b>484,347,854</b>	<b>529,331,005</b>
<b>Payments</b>		
Accommodation & subsistence Allowance	61,111,355	32,464,151
Repairs and maintenance	6,038,274	2,030,138
Finance cost	548,724	597,396
Pre-Settlement Development Costs	9,816,965	13,459,184
General Expenses	<u>184,166,046</u>	<u>166,331,072</u>
<b>Total Payments</b>	<b>261,681,364</b>	<b>214,881,941</b>
<b>Net surplus/deficit</b>	<b>222,666,490</b>	<b>314,449,064</b>
<b>Adjustments</b>		
Changes in receivables	(97,422,743)	(442,612,567)
Changes in payables	18,842,025	167,275
Prior year Adjustments	-	(163,085)
Adjustments in working Capital	(506,934,253)	
<b>Net cash flows from operating activities</b>	<b>(362,848,481)</b>	<b>(128,159,313)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant, equipment and intangible assets	(6,727,780)	-
Proceeds from sale of property, plant and equipment		<u>38,787</u>
<b>Net cash flows used in investing activities</b>	<b>(6,727,780)</b>	<b>38,787</b>
<b>Cash flows from financing activities</b>		
Grants received	390,000,000	367,261,745
Repayment of borrowings	(785,483)	(1,497,564)
Repayment of borrowings (Arrears)	<u>(1,309,479)</u>	
<b>Net cash flows used in financing activities</b>	<b>387,905,038</b>	<b>365,764,181</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(19,638,256)</b>	<b>237,643,654</b>
<b>Cash and cash equivalents at 1 JULY</b>	<b>652,478,572</b>	<b>414,834,918</b>
<b>Cash and cash equivalents at 30 JUNE</b>	<b>632,840,316</b>	<b>652,478,572</b>

## **7. NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of compliance and basis of preparations IPSAS I**

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on the Accrual Basis of Financial Reporting under the Accrual Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity and all the values have been rounded off to the nearest one shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

### **2. Summary of significant accounting policies**

#### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions – IPSAS 23**

The entity recognizes revenues from non - exchange transactions when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**ii) Revenue from exchange transactions – IPSAS 9**

Settlement Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information – IPSAS 24**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

**c) Taxes – IAS 12**

The entity is not taxable

**d) Property, plant and equipment – IPSAS 17**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

**LAND SETTLEMENT FUND (LSF)**  
***Reports and Financial Statements***  
***For the year ended 30th June 2018***  
**NOTES TO THE FINANCIAL STATEMENTS**

---

All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**e) Provisions – IPSAS 19**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any Reimbursement.

**f) Changes in accounting policies and estimates – IPSAS 3**

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.



**g) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

**h) Borrowing costs – IPSAS 5**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**i) Related parties – IPSAS 20**

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of board of trustees are regarded as related parties and comprise the Officer administering the Fund, Cabinet Secretary in charge of Finance, Cabinet Secretary in charge of Agriculture, Livestock and Fisheries and Cabinet Secretary in

**LAND SETTLEMENT FUND (LSF)**  
***Reports and Financial Statements***  
***For the year ended 30th June 2018***  
**NOTES TO THE FINANCIAL STATEMENTS**

---

charge of Lands and Physical Planning and secondly key management comprising of Director of Land Adjudication and Settlement and the Chief Accountant, ASF.

**j) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**k) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**l) Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

**LAND SETTLEMENT FUND (LSF)**  
**Reports and Financial Statements**  
**For the year ended 30th June 2018**  
**NOTES TO FINANCIAL STATEMENTS**

---

**m) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

**1. Settlement revenue**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Land – Settlement Revenue	31,226,897	1,346,816
<b>Settlement revenue</b>	<b><u>31,226,897</u></b>	<b><u>1,346,816</u></b>

**2. Settlement interest**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Land Loans Interest	38,397,359	14,872,936
Development Loan Interest	-	30,553
Other Interest	414,723,598	513,080,700
<b>Total receivables outstanding</b>	<b><u>453,120,957</u></b>	<b><u>527,984,189</u></b>

**3. Accommodation & subsistence Allowance**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Travel, motor car, accommodation, subsistence and other	<u>61,111,355</u>	<u>32,464,151</u>
<b>Accommodation &amp; subsistence Allowance</b>	<b><u>61,111,355</u></b>	<b><u>32,464,151</u></b>

**LAND SETTLEMENT FUND (LSF)**  
**Reports and Financial Statements**  
**For the year ended 30th June 2018**  
**NOTES TO THE FINANCIAL STATEMENTS**

**4. Repairs and maintenance**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Property Plant Equipment	6,038,274	2,030,138
<b>Total repairs and maintenance</b>	<b><u>6,038,274</u></b>	<b><u>2,030,138</u></b>

**5. Pre-Settlement Development Costs**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Actuarial Valuations	8,678,480	4,643,861
Investment Valuations	<u>1,138,485</u>	<u>8,815,323</u>
<b>Pre-Settlement Development Costs</b>	<b><u>9,816,965</u></b>	<b><u>13,459,184</u></b>

**6. General expenses**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Admin fees	178,307,440	142,865,118
Fuel and oil	2,324,401	2,486,368
Miscellaneous Expenses	3,285,956	-
Postage	117,780	110,493
Other Expenses	130,469	20,869,093
<b>Total general expenses</b>	<b><u>184,166,046</u></b>	<b><u>166,331,072</u></b>

**7. Finance Cost**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Borrowings (amortized cost)	<u>548,724</u>	<u>597,396</u>
<b>Total finance costs</b>	<b><u>548,724</u></b>	<b><u>597,396</u></b>

**LAND SETTLEMENT FUND (LSF)**  
**Reports and Financial Statements**  
**For the year ended 30th June 2018**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8. Cash and cash equivalents**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Bank	632,798,897	652,427,300
Cash-on-hand and in transit	41,419	51,272
<b>Total cash and cash equivalents</b>	<b><u>632,840,316</u></b>	<b><u>652,478,572</u></b>

**9.Receivables from non-exchange transactions**

**Current receivables**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Land Loans Issued		278,975,885
Land holding	150,000,000	-
Rescue Loans Issued		550,019
Development Loan Issued	38,489,317	231,832,877
Land Loans Principal Billed		(610,055,404)
Billed Amounts - Settlers	1,086,769,563	3,494,524,091
Development Loan Principal Billed		(189,149,529)
Rescue Loans Principal Billed		(240,198)
Cane Development Costs – Suspense		(5,139,967)
Other Recoverable Expenses		9,820,460
General Debtors	7,182,174	32,353,374
Trade Investment		59,263,387
Advances		10,567,668
Suspense Debit Items		64,507,005
Loan Repayment Collection		(2,161,547,241)
Agency Accounts (debits)		<u>257,000</u>
Imprests	<u>41,908,095</u>	<u>10,406,980</u>
<b>Total current receivables</b>	<b><u>1,324,349,149</u></b>	<b><u>1,226,926,406</u></b>

<b>10. Property, Plant and Equipment Schedule</b>						
	<b>Land and</b>	<b>Fixed &amp;</b>	<b>Motor</b>	<b>Office</b>	<b>Work - in -</b>	
	<b>Buildings</b>	<b>Assets</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Progress</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>Shs 000</b>	<b>KShs</b>
<b>At 1st July 2016</b>	<u>7,394,198,230</u>	<u>38,680,431</u>	===== -	===== -	===== -	<u>7,432,878,660</u>
Additions	-	-	-	-	-	-
Disposals	(38,787)	-	-	-	-	(38,787)
Transfer/adjustments	-	-	-	-	-	-
<b>At 30 June 2017</b>	<u>7,394,159,443</u>	<u>38,680,431</u>	===== -	===== -	===== -	<u>7,432,839,874</u>
<b>Depreciation and impairment</b>						
At 1 July 2016	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
<b>NBV At 30 June 2017</b>	<b>7,394,159,443</b>	<b>38,680,431</b>	-	-	-	<b>7,432,839,874</b>
<b>Cost At 1st July 2017</b>						
Additions					<b>6,727,780</b>	<b>6,727,780</b>
Disposals						-
Transfer/adjustments	<b>(7,394,159,443)</b>	<b>(38,680,431)</b>				<b>(7,432,839,874)</b>
<b>At 30 June 2018</b>	-	-	-	-	<b>6,727,780</b>	<b>6,727,780</b>
Depreciation	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-
<b>NBV At 30 June 2018</b>	-	-	-	-	<b>6,727,780</b>	<b>6,727,780</b>
<b>Net book values</b>						
<b>At 30 June 2018</b>	===== -	===== -	===== -	===== -	<u><b>6,727,780</b></u>	<u><b>6,727,780</b></u>
<b>At 30 June 2017</b>	<u><b>7,394,159,443</b></u>	<u><b>38,680,431</b></u>	===== -	===== -	===== -	<u><b>7,432,839,874</b></u>

**LAND SETTLEMENT FUND (LSF)**  
**Reports and Financial Statements**  
**For the year ended 30th June 2018**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>11. Trade &amp; Other payables</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Deposits	4,723,898	-
Reserve For Bad Debts		6,602,797
Provisions		11,676
Other Creditors		3,150,139
Accrued Interest On Loans		301,500
Suspense – Credit Items		(122,806,862)
Agency Accounts (Credits)		125,425
Refundable Deposits From Customers		93,343,385
Funds Drawn From treasury		5,153,814
<b>Total Payables</b>	<b><u>4,723,898</u></b>	<b><u>(14,118,127)</u></b>
<b>12. Borrowings</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
Loans Received	362,251,618	362,251,618
Loans Redemption	(354,975,557)	(354,190,074)
<b>Loan Outstanding</b>	<b><u>7,276,061</u></b>	<b><u>8,061,544</u></b>
<b>13. Revenue Reserves</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>KShs</b>	<b>KShs</b>
<b>Profit and Loss Items</b>	(1,363,482,729)	(1,677,768,708)
<b>Prior Year adjustment</b>	-	(163,085)
<b>Transfers to/from accumulated surplus</b>	2,702,733,524	
<b>Surplus for the year before tax</b>	<u>222,666,490</u>	<u>314,449,064</u>
<b>Revenue Reserves</b>	<b><u>1,561,917,285</u></b>	<b><u>(1,363,482,729)</u></b>

**LAND SETTLEMENT FUND (LSF)**  
**Reports and Financial Statements**  
**For the year ended 30th June 2018**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>14. Land Purchase Grant</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs.</b>	<b>Kshs.</b>
For the year	390,000,000	10,680,050,422
	<b>390,000,000</b>	<b>10,680,050,422</b>